

The Statement of Financing

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Defense Contract Audit Agency



Mission:

- Provides audit and financial advisory services to ensure that the Army, Navy, Air Force, and DCMA get the best value for war fighters
- Provides contract audit services to 40 other Departments and Agencies on a reimbursable basis

Staffing:

- Current staffing of approximately 4,000 people located at more than 300 field audit offices throughout the US, Europe, and the Pacific

Funding:

- O&M, Reimbursable Earnings, Procurement, and RDT&E (prior to FY 2004)



Statement of Financing

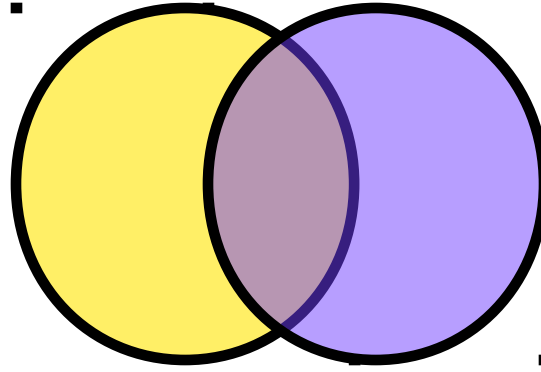


- What is the Statement of Financing? What is its purpose? Why do we prepare it?
- What is the DCAA's success story?
- Why is the Statement of Financing a challenge to prepare?



Financing

**Budgetary
Basis**

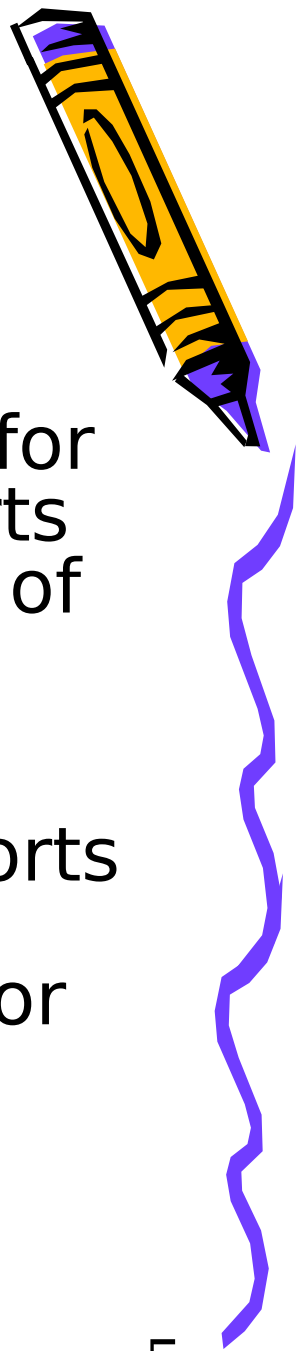


**Accrual
Basis**

- Statement of Federal Financial Standards (SFFAS) #7, Accounting for Revenue and Other Financial Sources, requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity
- SoF provides that information
- Shows also that the entity's budgetary and proprietary information in the financial management system agrees
- Reconciles budgetary-based Statement of Budgetary Resources to accrual-based Statement of Net



Statement of Financing: **The DCAA Process**



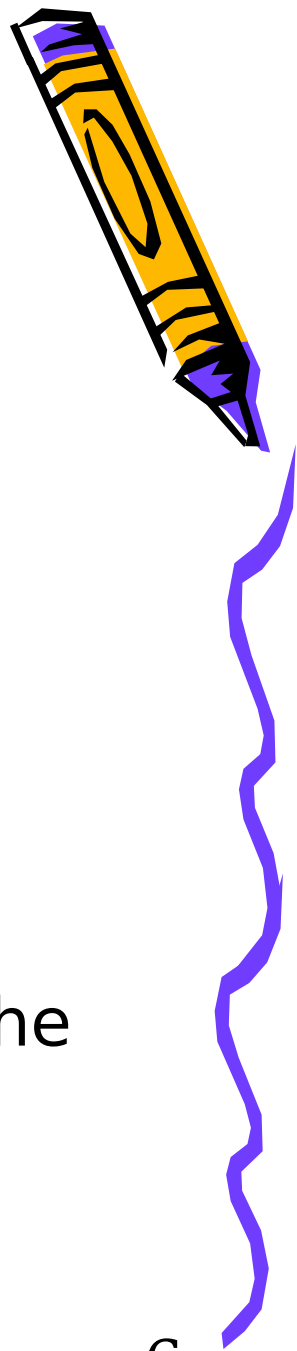
- DFAS and DCAA share responsibility for the financial information in the reports which represent the financial effects of the DCAA's operations
- The DCAA prepares the monthly reports (SF133, 1002, 725) independent of servicing DFAS Center in Columbus for 3 general fund appropriations



Financing:

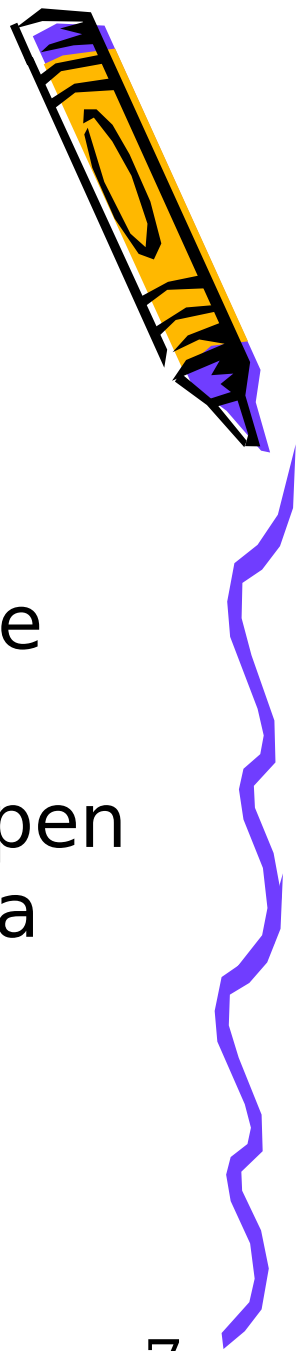
The DCAA Process cont'd

- This step includes:
 - Review and compare line items in completed reports with the monthly reports received from DFAS- CO
 - Resolve differences
 - Research discrepancies
 - Make corrections and/or adjustments.When mutual agreement is reached, the reports are released to DFAS-IN



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The DCAA Process cont'd



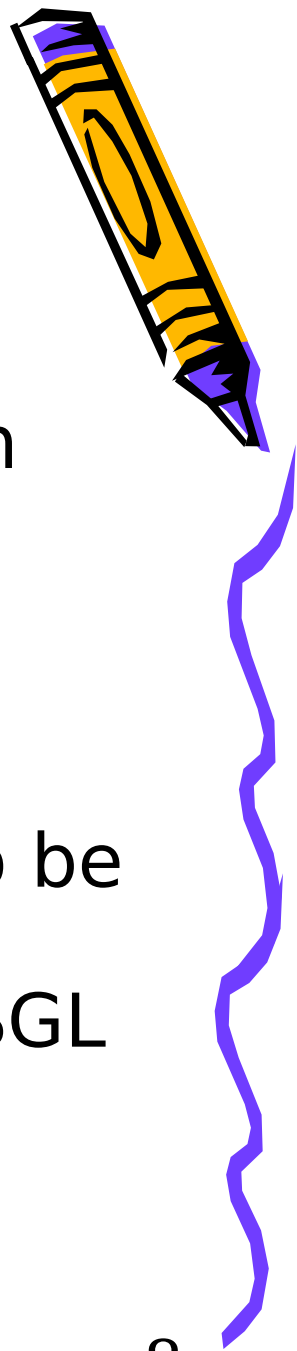
- Using the information from the final SF133s and the DBMS trial balances, the DCAA independently prepares the CFO Statements in Excel worksheets
- The process is as follows: For each open year, the DCAA “crosswalks” the data from certain individual lines on the SF133s to an Excel worksheet



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The DCAA Process cont'd

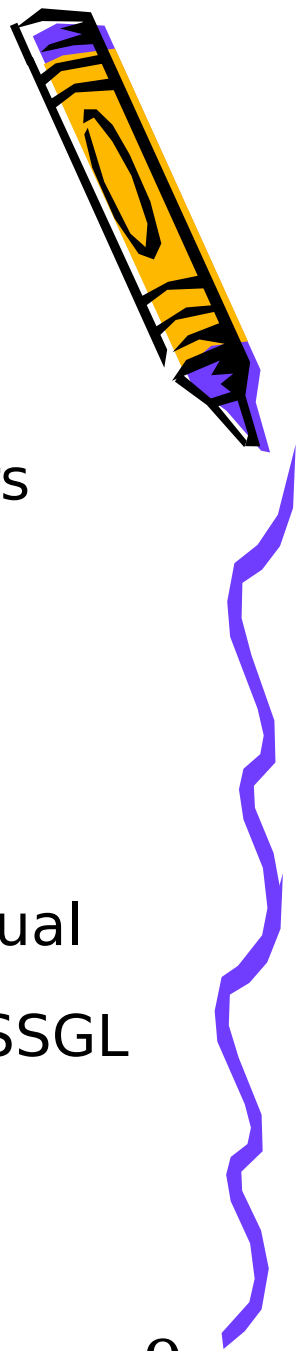
- The individual lines are matched with the corresponding USSGL account to create beginning balances for those budgetary accounts
- The DCAA has a checklist of other budgetary GLAC accounts that are to be included with adjustments and “crosswalked” to the compatible USSGL account



Statement of Financing

The DCAA Process cont'd

- When the account balances for each of the years are combined we have a preclosing combined budgetary trial balance for each general fund appropriation
- All data is checked for accuracy
- For the prior years, when the total of the individual lines taken from the SF133s are combined, they should equal the brought forward balance for USSGL account 4201



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The DCAA Process cont'd

- DFAS-CO uses a similar process to produce the USSGL account information for each reportable year and fund
- Include on worksheets PY pre-closing and post closing TB account information
- The DCAA and DFAS will mutually agree upon these preliminary account balances before moving on to the next step



Statement of Financing

The DCAA Process cont'd



- Next, we include the amounts for the proprietary accounts. We have now built a USSGL compliant trial balance, and the basis for the CFO statements.
- Parity checks are performed to make sure certain budgetary accounts match with proprietary accounts. Adjustments are made for differences. Agreement is again reached with DFAS-CO.



Statement of Financing

The DCAA Process cont'd



- DFAS-CO will post these by journal voucher to the USSGL trial balance for correct Financial Statement presentation : trading partner eliminations, future funded expenses, correction of posting errors due to system limitations, reclassifications between federal/nonfederal, imputed costs/financing, etc
- USSGL accounts are “crosswalked” to appropriate line numbers on the Statement of Financing. If the two Net Costs of Operations do not balance we double check the crosswalks





Statement of Financing

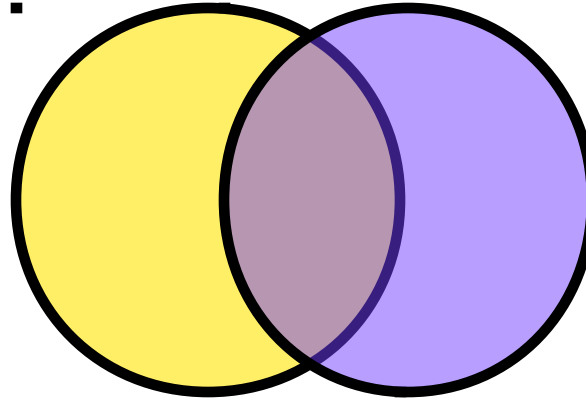
Four Steps to Success

1. Independently prepare and thoroughly review monthly SF 133 reports
2. System posting errors lead to problems within the reports. Review transactions. Review trial balances
3. Establish a good working relationship with your servicing DFAS center partner
4. Perform all required reconciliations



Financing

**Budgetary
Basis**



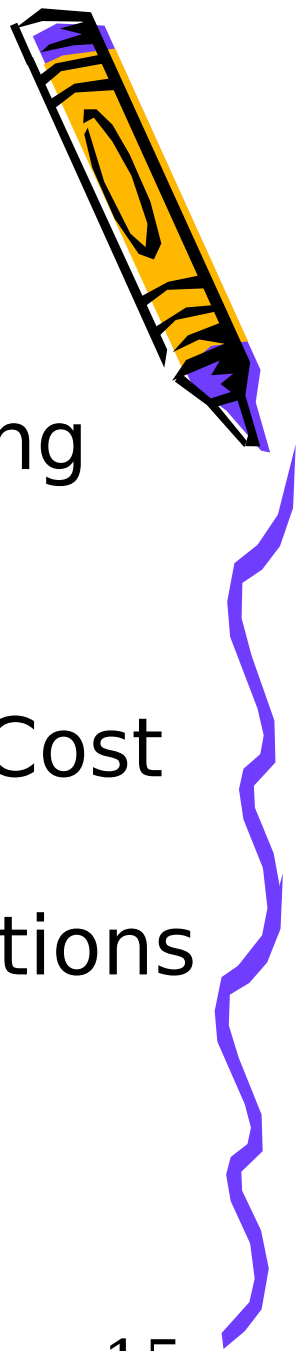
**Accrual
Basis**

- Obligations
- Less: Current-year obligations which are not expenses
- Add: Expenses which are not current-year obligations
- Equals: Net Cost of Operations



Statement of Financing

1. Obligations, net of offsetting collections, recoveries and offsetting receipts
2. Add: Nonbudgetary resources
3. Resources That Do Not Fund Net Cost of Operations
4. Components of Net Cost of Operations That Do Not Require or Generate Resources (current period)
5. Net Cost of Operations



Tips & Hints:

1. Obligations

- Obligations = Obligations on Statement of Budgetary Resources
- Obligations = Line 8 of SF-133
- Obligations = new obligations + upward adjustments of prior-year obligations



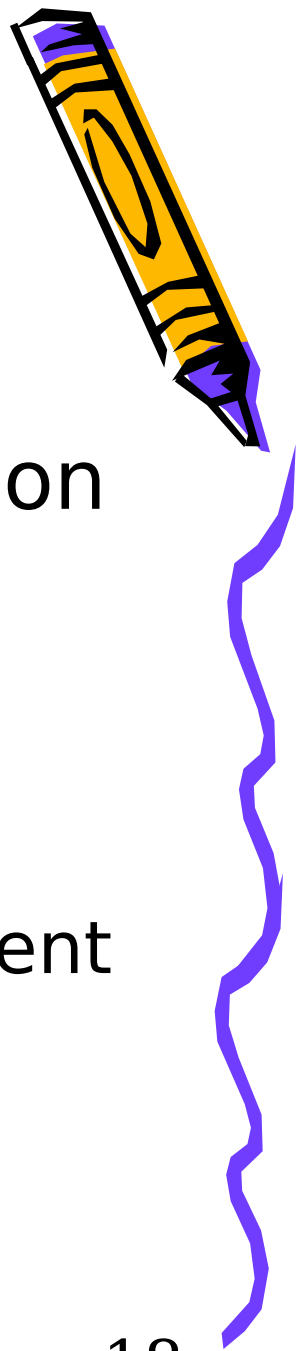
Net of Collections and Receipts

- Offsetting collections = Offsetting collections on Statement of Budgetary Resources
- Offsetting collections = Line 3 of SF-133
- Offsetting receipts includes only amounts collected in offsetting receipt accounts = Line 16 of SBR



Tips & Hints:

2. Nonbudgetary Resources



- Resources that increase net position but are not part of budgetary resources on the Statement of Budgetary Resources
 - Donations (other than cash)
 - Transfers in/out without reimbursement
 - Imputed financing



Tips & Hints:

3. Resources That Do Not Fund Net Cost of Operations

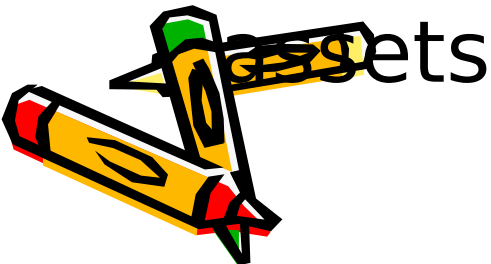
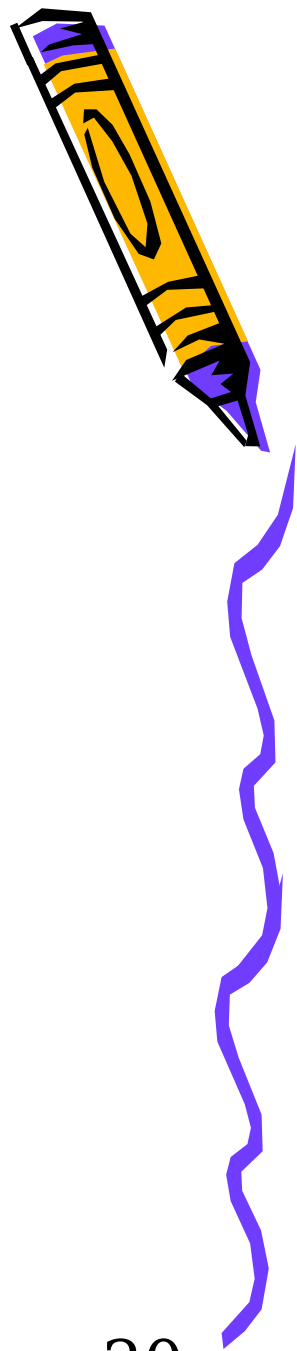
- Obligations which are not expenses:
 - Unexpended obligations (undelivered orders)
 - Unfilled orders
- Net decreases in annual leave
- Advances for work yet to be performed.
- Costs capitalized on the balance sheet, such as purchases of inventory



Tips & Hints:

4. Costs That Do Not Require or Generate Resources

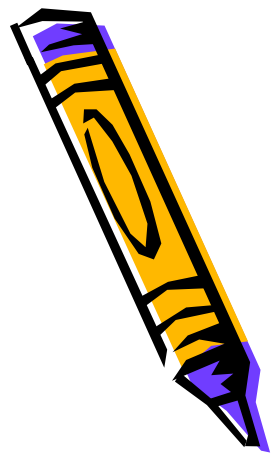
- Depreciation and amortization do not require **current-year budgetary** resources
- Exchange transaction gains and losses from revaluation of assets or liabilities



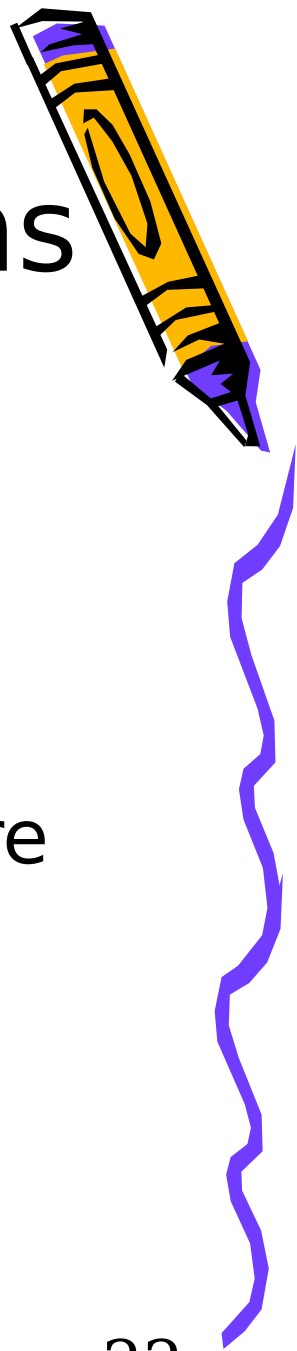
4. Costs That Do Not Require or Generate Resources (cont'd)

Future Funded Expenses

- Net increases in accrued unfunded annual leave liability
- Upward/downward reestimates for credit program subsidy cost
- Net increases in FECA actuarial liability



Line 5: Net Cost of Operations



- If this line equals the Net Cost of Operations on the Statement of Net Cost, you're done!
- If not: review the USSGL crosswalk; analyze your transactions to compare budgetary and proprietary impact
- Good luck!!



Statement of Financing

 ***The End*** 

Any Questions?????

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